



FISCAL HIGHLIGHTS

VOLUME 2, ISSUE 4

Inside This Issue:

Executive Appropriations Summary	1-2
Medicaid Spending	2
Asthma/Genomics Workplan	2
Western States Presidential Primary	3
Transportation Toll Road Resolution	3
Higher Education Scholarship Programs	4
Vocational Rehabilitation Employment	4
Watershed Restoration Initiative	4
Federal TANF Changes	4
Upcoming Capital Development Schedule	5
New Federal Fund Approvals	5
Above-Forecast Revenues Predicted	6

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www.le.utah.gov/lfa

EXECUTIVE APPROPRIATIONS COMMITTEE**JULY 18, 2006**

CO-CHAIRS

SENATOR LYLE HILLYARD & REPRESENTATIVE RON BIGELOW

Report: Federal Funds**Summary:**

Katie Rogerson, Governor's Office of Planning and Budget, presented the list of federal fund grant applications since the last EAC meeting. The listing shows two new applications and six reapplications requiring action by the EAC, twelve applications that have been approved by the Governor, and the tracking of 425 outstanding federal fund grants.

Committee Action:

The committee approved the eight applications requiring EAC action.

Staff Contact: Juliette Tennert

Report: Workforce Services - General Assistance Program**Summary:**

At the request of the House and Senate Democratic Leadership, the Committee discussed the status of the General Assistance (GA) Program within the Department of Workforce Services (DWS). General Assistance is a program that assists low-income Utahns meet basic needs while awaiting for Social Security Disability Income (SSDI) approval. The monthly income allows these individuals to access services and shelter.

Obtaining SSDI approval often takes more than 24 months. Once approved, some state expenditures on GA are reimbursed. According to DWS, insufficient revenue exists to continue to offer GA at current levels. The Department has proposed to decrease the number of months a person can receive GA from 24 to 15 months within a 60 month period. Due to the long approval process for SSDI, the DWS proposal may result in a loss of income to individuals that wait longer than 15 months for SSDI approval.

Democratic Legislators requested that the Executive Appropriations Committee discuss the GA revenue shortfall and instruct DWS not to implement the proposed program changes until the Legislature has the opportunity to investigate potential solutions. (No action was taken.)

Staff Contact: Stan Eckersley

Report: Turnover Savings Study**Summary:**

A combination of Governmental Accounting Standards Board (GASB) rules, legislative changes, and an aging workforce led to a surge in retirements among state employees during Fiscal Year 2006. At the request of the Executive Appropriations Committee, the Office of the Legislative Fiscal Analyst completed a study determining whether the surge in retirements created turnover savings.

Mark Bleazard presented this study, which addressed five main questions: 1) What are the ongoing savings as positions are filled?, 2) What is the expected impact of positions still vacant?, 3) What are the costs in insurance premiums for replacement employees?, 4) What costs were borne by the state's termination pools?, and 5) What other non-quantifiable financial impacts exist?

The study findings suggest that savings based on positions that have been refilled to date total about \$3.9 million annually, of which \$1.8 million is state funds. The Analyst found that if the currently vacant positions left by the retirees under study were to remain vacant, an additional savings of \$3.5 million (\$1.8 million state funds) would accrue. Many of these vacancies, however, are under ongoing recruitment and that savings or costs related to them would not be evident for some time. Costs analyzed in the study, which may decrease savings over time, include one-time leave payouts to employees and depletion of the State's termination pools, additional costs associated with higher insurance premiums of replacement employees, lost productivity and institutional memory, recruitment expenses, and training expenditures.

Committee Action:

Based on the study's recommendations, the Committee approved a motion directing each appropriations subcommittee to individually identify ongoing turnover savings and that all or part of these savings be used to reduce one-time depletions in termination pool balances.

Staff Contact: Steven Allred, Mark Bleazard, Juliette Tennert, & Andrea Wilko

EXECUTIVE APPROPRIATIONS COMMITTEE

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Report: Pupil Transportation

Summary:

The Legislative Management Committee requested that the Executive Appropriations Committee study questions that arose during the 2006 General Session relating to Pupil Transportation in Utah's public school districts. Specifically, Legislators requested that staff study the following two issues: (1) the Transportation Finance Formula that distributes To and From School Program revenue; and (2) the standards, procedures and efficiency of school district bus routing practices.

Staff from the Legislative Fiscal Analyst's Office presented a report that summarized the two pupil transportation programs: the To and From School Program and the Guarantee Transportation Levy. In the report, staffers provided a history of state appropriations to the two programs, detailed the Transportation Finance Formula, discussed the impact of state revenue on pupil transportation programs, addressed claims of potential underfunding by the state, recommended that the Transportation Finance Formula be reviewed annually, and discussed various economic factors that may drive pupil transportation expenditures. Finally, staff addressed the Depreciation Allowance provided to

school districts to amortize school buses and reviewed the school bus route standards, oversight, and auditing functions completed by the Utah State Office of Education (USOE).

Recommendations provided in the report address several issues. Analysts recommend that the Legislature consider approving a Legislative Audit to examine the variances among the school districts in transportation funding and the use of Depreciation Allowance funds provided by the state. The Analyst's recommendation that the USOE review and adjust the Transportation Finance Formula rates annually to reflect economic conditions and submit adjusted rates along with cost estimates to the Legislature. Finally, staff recommends that USOE auditing functions be expanded to ensure that all school district transportation programs are audited within an eight year time period.

Committee Action: The Committee did not take formal action on recommendations made in the report. Committee members will revisit the recommendations made in the report during the September 2006 meeting and take additional comments or recommendations from the education community.

Staff Contacts: Ben Leishman, Derek Byrne

Health & Human Services

Medicaid Spending

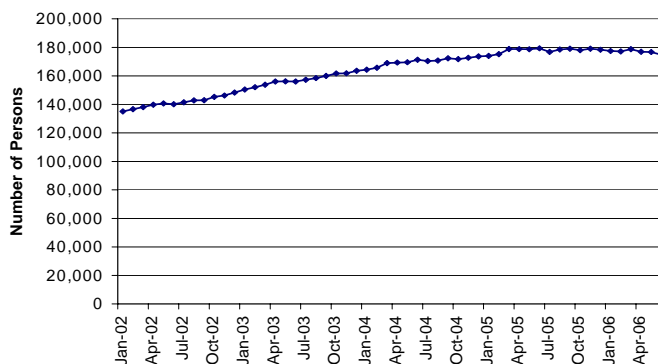
Growth in Medicaid spending based on the federal government's Daily Treasury Statement reports that Medicaid grants as of June 30, 2006 totaled \$134.0 billion which is a decrease of \$3.3 billion below the same period of time (first three quarters) of federal fiscal year (FFY) 2005. The estimated Medicaid spending for FFY 2006 is 11.7% for mandatory program and 7.1% of the total federal expenditures in contrast to FFY 2005 spending of 12.1% for mandatory and 7.4% of total expenditures.

The primary reason for the decline in Medicaid spending is because of the reduction in costs for prescription drugs with the implementation of Medicare Part D in January of 2006. This new program pays for prescription drugs formerly financed through Medicaid for persons dually eligible for Medicaid and Medicare. Another reason for the decline is because of expected reductions in payments to acute care institutions because of the destruction of facilities of Medicaid providers by the hurricanes in the Gulf States in 2005. Also, as the economy of the states improves the Federal Medical Assistance Percentage (FMAP) rate reduces the federal costs.

The caseload nationally has been stable the last few months. Although the Medicaid caseload in Utah is also flat, utilization costs are increasing due to a caseload shift. Aged and disabled clients are increasing while healthy adults and children are decreasing. In addition, current clients continue to use more services than in prior years. The trends are being monitored and evaluated to determine the potential state fiscal impact on the current and future fiscal years.

Staff Contacts: Debbie Headden and William Greer

**Utah Monthly Medicaid Caseload
January, 2002—June, 2006**



Asthma/Genomics Workplan

The Utah Asthma Task Force and the Utah Department of Health Chronic Disease Genomics Program released their new Asthma Genomics Workplan.

The workplan was the result of a workshop conducted with asthma and genomics stakeholders in April 2006 in West Valley City, UT. Participants developed a list of priority activities in pharmacogenomics, family health history, and ethical, legal, and social issues (ELSI) that will be completed over the next 3-5 years. These priorities will also be included in the new Utah Asthma Plan expected to be released in May 2007. The workplan, a one-page list of priorities, and workshop summary are available at <http://health.utah.gov/asthma/genomics.html>.

The Asthma/Genomics Program is part of the Department of Health's Bureau of Health Promotion. The Program annually awards approximately \$25,000 in grants each year to enhance efforts to improve quality of life for people with chronic asthma symptoms by increasing awareness, access, and education.

Staff Contact: William Greer

Executive Offices & Criminal Justice

Western States Presidential Primary

Western states leaders have wanted greater participation in the presidential candidate selection process. In 1999, the Legislature supported the Western States Presidential Primary and appropriated \$600,000 to fund the state's participation held in March, 2000. Utah, Colorado and Wyoming participated.

The 2008 presidential election will provide the nation with a new choice for executive leadership. During the 2006 General Session, the Legislature passed Senate Bill 60, "Western States Presidential Primary," and appropriated \$850,000. The Governor later signed the measure into law. The Western States Presidential Primary will be held at the earliest that major political parties will allow. It will be held during the first week of February 2008.

The number of western states likely to participate has been a matter of speculation since August 2005. At the time, Utah, Arizona and New Mexico seemed likely. Since then, other Western states leaders have voiced interest. Nevada Governor Kenny Guinn, Montana Governor Brian Schweitzer, and Colorado Governor Bill Owens have all been generally supportive. The following table provides population data and Electoral College Votes comparisons for the West:

The Governor's Office is determining the allocation breakdown of the \$850,000 for county and local voting jurisdictions. When

***Western States
Population Estimates (July 1, 2005) &
Electoral College Votes***

State	Population	Electoral Vote
Arizona	5,939,292	10
Colorado	4,665,177	9
Idaho	1,429,096	4
Montana	935,670	3
Nevada	2,414,807	5
New Mexico	1,928,384	5
Utah	2,469,585	5
Wyoming	509,294	3
Total - Eight States	20,291,305	44
Total - Nation	296,410,404	538

Sources: Population Division, U.S. Census Bureau & U.S. National Archives and Records Administration

this action is completed, this information will be published.

Staff Contact: Gary Ricks

Transportation, Environmental Quality & National Guard

Transportation Commission Adopts Toll Road Resolution

Demands for transportation infrastructure have never been higher in the State of Utah. Rising costs for construction along with the inability to fund all of the needed projects has caused the Department of Transportation and the Transportation Commission to explore all sources of funding possibilities. One such possibility is the concept of tolling for the use of highways. The Transportation Commission adopted the following resolution at their July 14, 2006 meeting. The resolution states that all new capacity highways will be considered as potential toll highways. The resolution reads:

Resolution for Consideration of Tolling

Be it resolved by the Utah Transportation Commission:

WHEREAS, Utah's population has increased 55% and use of the state highways has more than doubled (108%) over the past 20 years, and Utah's population will increase another 45% and use of the state highways will grow another 66% over the next 20 years;

WHEREAS, demand for highway infrastructure continues to increase while funding is unable to meet the growing need, leaving the state with a multi-billion dollar highway funding deficit through the year 2030;

WHEREAS, even with new funds provided by the Utah Legislature in the 2006 General Session – which will build some urgently-needed highway projects – many highway projects remain unfunded;

WHEREAS, tolling is a financial tool that could help bridge the gap between what we have today and what we must have tomorrow;

WHEREAS, the Utah Transportation Commission has authority to approve tollways for new state highways or additional capacity lanes, including high occupancy toll (HOT) lanes (Utah Code 72-6-118);

NOW, THEREFORE, BE IT RESOLVED that the Utah Transportation Commission and the Utah Department of Transportation will evaluate and consider all controlled-access new capacity highway projects as possible candidates

Staff Contact: Mark Bleazard

Higher Education

Higher Education Scholarship Programs

The Utah System of Higher Education has awarded four-year scholarships to 13 graduate students pursuing professional degrees in veterinary medicine, optometry, and podiatry. Since these degrees are not offered at Utah institutions, the scholarships will offset the out-of-state tuition cost. The students agree to return to Utah and practice in their respective field as a condition of the scholarship.

Nine of the scholarships are awarded through the Western Interstate Commission of Higher Education (WICHE) Professional Student Exchange Program. Of these nine scholarships, five students are pursuing a degree in veterinary medicine, three in optometry, and one in podiatry. The Utah At Large Veterinary Education Program is providing the other four scholarships.

Utah currently has 32 other students studying under these scholarship programs.

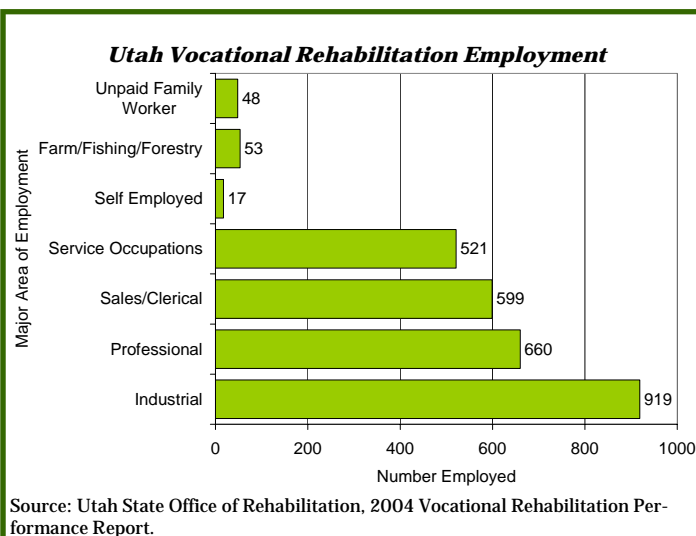
Staff Contact: Spencer Pratt

Public Education

Successful Employment through Vocational Rehabilitation

During 2004, Vocational Rehabilitation assisted 2,817 people gain successful employment, 92 percent of these individuals were classified with severe disabilities. Included in the total of successfully employed are 217 public assistance recipients and 534 Social Security Disability Insurance recipients. According to the Utah State Office of Rehabilitation (USOR), the collective weekly earnings of these individuals increased 475 percent from \$211,179 to \$1,002,280 with the assistance of Vocational Rehabilitation.

The occupations of the 2,817 individuals vary greatly. The following chart provides a summary, by major area of employment, for the individuals successfully employed through Vocational Rehabilitation.



Staff Contact: Ben Leishman

Natural Resources

Watershed Restoration Initiative

Utah's Watershed Restoration Initiative is being lead by DNR and implemented through a cooperative conservation approach under the Utah Partners for Conservation & Development. It involves state and federal agencies working together with conservation organizations, landowners, local officials and industry to address statewide watershed issues that cross ownership and administrative boundaries. In FY 2006 DNR leveraged its \$2 million with money from other partners to total \$8 million. This cooperative conservation approach has resulted in over 120 restoration projects statewide, involving over 125,000 acres on private, state and federal lands. It has reduced potential wildfires and soil loss from erosion; it has also improved water quality and yield, wildlife habitat, agricultural production and resistance to invasive plant species.

DNR is committed to continue improving Utah's watershed by leveraging its funding, \$2 million one-time appropriation and \$500,000 ongoing (through the passage of H.B. 47 "Sales Tax Diversion for Watershed Projects and Water Financing").

Staff Contact: Ivan Djambov

Commerce & Revenue

Federal TANF Changes May Be Expensive

Federal TANF changes in the Deficit Reduction Act of 2006 impose increases in work participation rates. Utah is at 28.9% and the rules, effective October 1st, require 50% for all families and 90% for two parent families. The Congressional Budget Office estimates that implementation of these new rules on a national level will cost \$1.7 billion annually. There is no new federal funding for implementation. Failure to meet the higher rates can result in a 5% loss in the TANF block grant, 13%-26% increase in required state TANF spending, and the penalties increase in subsequent years if the state fails to come into compliance.

Currently only five states meet the 50% standard and only 3 meet the 90% two-parent rate. Twelve states will have to make more than a 50% increase, and fifteen will have to double or triple their existing work participation.

Staff Contact: Stan Eckersley

Capital Facilities & Administrative Services

Upcoming Capital Development Schedule

The time has already arrived to begin another cycle of capital development budget requests. "Capital Developments" are generally new facilities costing more than \$250,000, remodeling/renovations costing more than \$1.5 million, or any purchase of real property where an appropriation is requested to fund the purchase.

The Building Board adopted slight modifications to its evaluation guide during its June 28 meeting. These changes primarily affected the weights of the various objectives, essentially giving more weight to life safety and other existing deficiencies, as well as to addressing growth and capacity requirements. The Building Board should give more consideration to the Board of Regents' rankings of higher education projects this year.

Upcoming significant dates:

- ♦ **August 15:** Deadline for agencies/institutions to formally submit state funded requests, non-state funded requests, and agency/institution five year plans to DFCM
- ♦ **August 21-22:** Joint Capital Facilities and Administrative Services Appropriations Subcommittee / Building Board statewide tour of significant projects
- ♦ **August 31:** Deadline for resolving the scope and budget estimates of requests.
- ♦ **September 14-15:** Board of Regents meets in SLC to prioritize higher education requests
- ♦ **October 4:** Agencies/institutions present state-funded requests to Building Board
- ♦ **October 19:** Building Board prioritizes its capital development recommendations to the Legislature

Staff Contact: Steven Allred

Federal Funds

New Federal Fund Approvals

As noted in the Executive Appropriations Committee update, EAC approved two new applications for federal funds grants during its July meeting. These grants are described below.

The annual award amount for **Utah's Compassion Capital Fund Demonstration Program** grant totals \$500,000 and requires \$125,000 in matching state funds. Matching state funds will be in the form of in-kind existing program expenses (\$5,000 from General Fund, \$20,000 Dedicated Credits, and \$100,000 Restricted Funds). During the 15 month grant period, which begins in September, the **Division of Housing and Community Development** will use grant monies to "deliver capacity building services to faith-based and community organizations through the provision of training, technical assistance, and sub-awards." Fifty percent of grant monies will be passed through in the form of sub-awards to randomly selected qualified Utah faith-based and community organizations. Two temporary full-time-equivalent employees will perform administrative duties, provide training, and administer project contracts. (This grant application is still pending.)

The **Collaboration between TANF and Child Welfare to Improve Child Welfare Program Outcomes Grant** (Kinship Grant) award totals \$1,582,165 over five years beginning this October. The grant requires \$175,796 in matching funds over the course of its existence. The state will receive \$243,544 in grant monies and will provide \$27,060 in matching funds (General Fund) during FY 2007. The purpose of this grant is to enable to **Division of Child and Family Services** to modify the current Transition to Adult Living collaboration model to form a Kinship Collaboration of agencies that provide services to individuals and families who provide full-time care to children with whom they have kinship bonds. The Division will use funds to develop and implement the Kinship Collaboration, provide training to caseworkers and clients, develop an information and referral system, and carry out a public information campaign. (This grant application is still pending.)

Staff Contacts: Juliette Tennert (Federal Funds), Andrea Wilko (Economic Development), & Debbie Headden (Human Services)

UPCOMING MEETINGS

- ♦ **Capital Facilities & Administrative Services**
August 21 & 22, 2006
Location: Tour of Capital Development Requests
Itinerary Pending
Staff Contact: Steve Allred
- ♦ **Commerce & Revenue**
August 30, 2006 - 8:30 A.M.
Location: Workforce Services Building
1385 S. State, Salt Lake City
Staff Contact: Stan Eckersley
- ♦ **Executive Offices & Criminal Justice**
September 2006 - Date to be Announced
Location: Central Utah Correctional Facility - Gunnison, Utah
Staff Contacts: Gary Ricks & Derek Byrne
- ♦ **Higher Education**
October 19, 2006 - Time and Location to be Announced
Staff Contact: Spencer Pratt
- ♦ **Joint Public Education, Higher Education & Education Interim Committees**
September 20, 2006 - 7:00 P.M., Planned Social Event
September 21, 2006 - 9:00 A.M., Joint Meeting with Legislative Committees, the State Board of Education, and the State Board of Regents
Location: Salt Lake Community College - Redwood Campus
Staff Contacts: Ben Leishman & Spencer Pratt
- ♦ **Natural Resources**
September 7 & 8, 2006
Location: Southern Utah Site Visit
Itinerary Pending
Staff Contact: Ivan Djambov

Revenues

Employment and Wage Growth Among Factors Driving Above-Forecast Revenues

Preliminary year end numbers indicate that revenues are significantly above the February forecast. (Actual final year end numbers will not be available from the Division of Finance until September.) Most of the growth has been in the Income Tax and Corporate Franchise Tax. Reasons for this include better than expected employment and wage growth and higher than anticipated corporate profits. Migration and population acceleration have also contributed to increases.

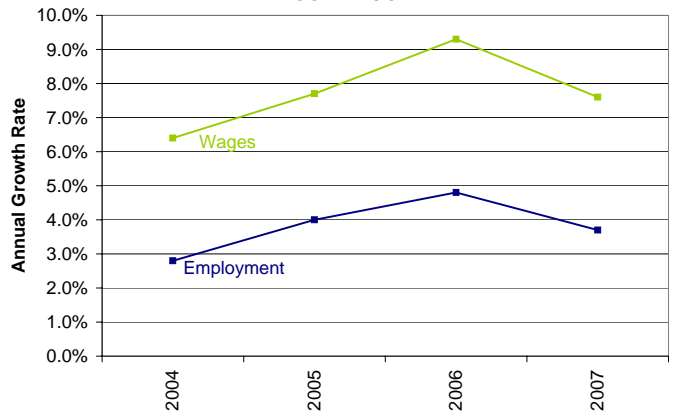
Sales Tax Revenues are also coming in above estimates. Sales tax should continue to grow as retail sales remain strong. Additional factors assisting in revenue growth include increases in residential housing values and other housing market adjustments. Sales taxes will be impacted by population growth and continued growth in non residential and residential construction.

One down side risk to spending patterns may be the continued increase in fuel prices. We are seeing some evidence of this in motor fuel tax collections which are under forecasts. However, because of the price increases and increased production in oil and gas projects, severance taxes are up. Mineral Lease allocations are also at record levels.

This economic growth is not unusual for the Western States. In fact, the western region leads the nation in employment growth.

Staff Contact: Andrea Wilko

***Utah Employment and Wage Growth
2004–2007***



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